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BEFORE THE

SURFACE TRANSPORTATION BOARD

STB EX PARTE NO. 705

COMPETITION IN THE RAILROAD INDUSTRY

COMMENTS OF THE
NORTH DAKOTA GRAIN DEALERS ASSOCIATION

The North Dakota Grain Dealers Association (NDGDA) files these comments but is not requesting time at the June 22 hearing.

NDGDA is a 100 year old voluntary membership trade organization representing the interests of country grain elevators in North Dakota. These elevators are the primary point of sale for grain raised by North Dakota farmers. The elevators receive, clean, condition, segregate by quality, and ship these grains to domestic and international markets.

North Dakota is at the center of the North American continent, farther than anyone else from coastal ports and overseas markets. North Dakota has no navigable waterways that provide barge competition. For long distance movements of our commodities we are dependent on railroads.

This Association has been involved in many STB proceedings over the past 16 years and with the ICC before that. Items addressed include service, car supply, mergers, fuel surcharges, rates, common carrier obligation and other matters that sometimes become contentious between shippers and railroads. STB Chairmen Nottingham, Mulvey, Buttrey, Nober and Morgan have been our guests in North Dakota. Four of the five toured some grain elevators. That is the background from which we offer the following brief comments.

We won't go into details because others have done that and we have told the Board many of those in the past. We believe that most of the problems shippers have with railroads is due to a lack of effective competition. There are 400 grain elevators and two Class 1 railroads in North Dakota. Consider the contrast in how these business interact with their customers. If a grain elevator is not responsive to its customers' needs and/or does not treat them respectfully, those customers will go down the road to another grain elevator. Very few grain elevators have the option of dealing with a second railroad. And even if they do, it is a duopoly situation rather than a monopoly.

If a grain elevator is not open and providing service when its customers need it, the customers go elsewhere. On the other hand when a grain elevator has rail cars on order that aren't delivered on a timely basis, or if substandard equipment is delivered, the elevator has to wait and deal with the consequences. If a grain elevator doesn't pay up for crops, the farmer will take those someplace else. When a railroad announces a rate increase, whether reasonable or not, the elevator has no choice but to pay up; it can't go elsewhere. When a railroad's lease or track agreement terms are onerous, when those terms shift liability for railroad actions to the lessee, there is little choice but to go along with it. When a railroad says it prefers certain train sizes and will be giving those priority service, shippers and receivers have little choice but to spend the money to gear up for that size. These examples indicate who really calls the shots when there isn't effective competition.

The North Dakota Grain Dealers Association believes in a free market system, with as little regulation as possible. But much of the relationship between shippers and their railroads can hardly be described as a free market. Where competition exists, competition should govern. Where effective competition does not exist, the STB should be ready to step in with effective oversight to balance the scales.

Respectfully submitted,

Steven D. Strege, Executive Vice President
North Dakota Grain Dealers Association
118 Broadway, Ste 606
Fargo, ND 58102